

**Early Education and Out of School Time Capital Fund**  
**Grants to Develop Eligible Facilities for Use as Large**  
**Group and School Age Child Care Programs**

**Program Guidelines**

Commonwealth of Massachusetts  
Department of Early Education and Care

As of October, 2015

# **Early Education and Out of School Time Capital Fund Guidelines**

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## **Guidelines for the Early Education and Out of School Time Capital Fund**

These Guidelines, produced by the Department of Early Education and Care ("EEC") in conjunction with the Community Economic Assistance Corporation ("CEDAC")/Children's Investment Fund ("CIF"), clarify and supplement the statutory and regulatory requirements of the Early Education and Out of School Time Capital Fund ("EEOST") program. The purpose of the Guidelines is to help Developers of financially feasible eligible facilities used as licensed large group and school age child care centers, as defined by EEC, understand the key requirements for the EEOST program, the application and award process for securing EEOST funds, and the grant closing and post-closing requirements for EEOST recipients. These Guidelines provide more specific details for the implementation of the EEOST Capital Fund regulations but do not have the same force and effect of law and regulation. These Guidelines may be subject to appeal to and waiver by the Commissioner of EEC or his designee.

EEC has designated CEDAC as its Financial Intermediary for the EEOST grant program. CEDAC and its affiliate CIF shall perform an analysis of each project for which a grant is sought and shall determine the feasibility of the project and whether it meets all applicable criteria established by EEOST Program regulations, guidelines and policy. CEDAC shall perform such other underwriting activities which are necessary to ensure that all grants are made to feasible, eligible project applicants, are for facilities that are licensed early education and care and out of school time programs, and which satisfy all applicable EEOST Program requirements. In its analysis, CEDAC shall determine the soundness of the proposed project development plan and ensure the cost of the project represents a prudent investment of EEOST Capital Fund resources. CEDAC shall serve as fiscal intermediary in the disbursement and receipt of funds related to EEOST grants, except for those that constitute compensation to CEDAC. CEDAC will hold the EEOST Land Use Restrictions, Mortgages, and the obligations in the terms and conditions of the grant award.

These Guidelines are intended to be helpful to potential EEOST grant recipients and contain as much information as reasonably possible. If you have a question that is not answered here, please contact:

1. CEDAC/CIF, Theresa Jordan: 617-727-5944 or [tjordan@cedac.org](mailto:tjordan@cedac.org)
2. EEC, Andrea Gilmore: 617-988-6609 or [eec.eeost@massmail.state.ma.us](mailto:eec.eeost@massmail.state.ma.us)

### **I. Introduction and Program Summary**

In November 2013, the State Legislature enacted a Housing Bond Bill, an "An Act Financing the Production and Preservation of Housing for Low and Moderate Income Residents" (St. 2013, c.129), which contained provisions for EEOST. The statute authorizes EEC, as set forth in [section 18 of chapter 15D of the General Laws](#), to administer up to \$45 million in general obligation bond funds for grants to develop eligible facilities for use as licensed Large Group and School Age Child Care Programs as defined in 606 CMR 7.00, Standards for Licensure or Approval of Family Child Care: Small Group and School Age and Large Group and School Age Child Care Programs. See [606 CMR 7.02](#).

EEOST provides grants to tax-exempt non-profit corporations, as defined by M.G.L. c. 180, or to organizations in which a non-profit corporation has a controlling interest, provided that at least 25% of the child care slots in the facility shall serve low income families who are eligible to receive public subsidy. EEOST funds will provide direct grants of capital funds to an applicant for payment of some of the costs of an eligible project. EEOST funds will have a maximum grant amount of up \$1,000,000 per project and the Total Development Cost (TDC) of each project should be no less than \$400,000. EEOST grants will not fund the entire cost of a project and applicants must provide information regarding the sources of other project funding.

**Applicants for EEOST grants should be aware that these grants come with the following long-term covenants:**

- Grants are provided subject to recorded land-use restrictions and mortgages.
- Grantees are required to meet annual compliance and reporting requirements throughout the full grant term, as defined in these Guidelines.

## **II. Eligibility Requirements**

**1. Eligible Facilities include sites that:**

- Comply with M.G.L. c. 15D and all regulations and policies adopted thereunder;
- Comply with all other applicable Federal, State and Local statutes, regulations, and ordinances, including but not limited to the Americans with Disabilities Act (ADA) and the Massachusetts State Building Code (SBC), as may be amended from time to time;
- A building, structure, or site that is, or will be, owned or leased by one or more Eligible Organizations at the time of application;
- If a building, structure, or site is leased, then the leased facilities shall have a lease term that is consistent with the scale of the capital investment, but shall not be less than 15 years;
- If a building, structure or site is or will be a municipally owned building that dedicates a single purpose space for licensed early education or out of school time programs, then the lease must be for not less than 25 years; and
- Demonstrate: (a) a need for such a project; (b) a benefit for the affected community; (c) a financial need for assistance in the form of such a grant; and (d) local support for the project.

**2. Eligible Uses of EEOST Funds**

EEOST funding may be used for:

- Acquisition of real property,
- Design, construction, repair, rehabilitation, and/or renovation of an Eligible Facility,
- Recovery from a natural or man-made disaster, and/or
- Soft costs directly related to the development of an Eligible Facility.

Projects that are substantially complete and funded will not be considered.

### **Acquisition of Real Property**

EEOST funds may be used for the acquisition of real property as part of a feasible and ready-to-proceed project to develop EEOST eligible facilities. The grantee will be required by the terms and conditions of the EEOST grant documents to ensure timely completion of the project and its continued eligibility for EEOST funds.

Leased facilities, leased through a ground lease requiring an upfront capitalized lease payment, are also eligible under this category.

No costs incurred in the acquisition of an Eligible Facility shall be considered for properties acquired more than two years prior to the date of the Grant Application.

### **Design, Construction, Repair, Rehabilitation and Renovation**

Repair/renovation involves major rehabilitation that may include but is not limited to major systems replacement, reconfiguration of classrooms, administrative and staff spaces, and redesign and renovation of an outdoor space.

EEOST funds may be used for, and may be drawn down by the grantee, as required, during the construction period. CEDAC will monitor construction to confirm, prior to disbursement of each grant draw, that the work has been completed as represented. CEDAC may elect to accept the monitoring reports of a senior lender, either private or public. Alternatively, CEDAC may engage its own construction inspector, and charge the cost to the grant recipient.

### **Soft Costs**

EEOST grants may be used for soft costs, within reasonable limits as determined by the nature of the project and the size of the grant, associated with the acquisition, design, renovation, repair, rehabilitation and construction of eligible projects. Only those soft costs that are eligible to be funded through a mortgage or construction loan will be considered. Soft costs may include the types of General Development Costs listed in the EEOST Application. Developer fees and/or owner costs may be limited and should align with the scope and size of the project. Pre-development costs incurred within one year of the date of the Grant Application may be included. Reimbursement for approved soft costs will occur at the time the grant has closed.

### **Recovery from a Natural or Man-made Disaster**

An eligible facility used as a licensed large group and school age child care center, that has been damaged or destroyed by reason of fire, flood, explosion, earth movement, extreme weather conditions, or other unforeseen, extreme facility failure that is not the result of the negligence of the potential grantee, may receive priority for funding. The EEC Commissioner, or his designee, at his discretion, may waive any provisions of Part III, section 2 and Part V, section 3 of these Guidelines to expedite the recovery from a natural or man-made disaster.

## **3. Eligible Developers of EEOST Projects**

EEOST projects must be developed by:

- A non-profit Developer organized under M.G.L. c. 180 and exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or an organization in which a non-profit corporation has a controlling financial or managerial interest.
- The Developer of the Eligible Project need not be the owner of the property, so long as (i) such Developer has control of the site pursuant to a ground lease, or other instrument acceptable to EEC, in its discretion, for a period at least equal to the term of the applicable EEOST Grant; and (ii) the owner assents to the Developer's execution and the recording of a Land Use Restriction or similar instrument, and executes and accepts the Land Use Restriction, and such additional documentation as EEC and/or CEDAC may require, in its discretion, regarding the rights of EEC and/or CEDAC with respect to the site.

### **Partnerships**

A for-profit Developer may act in a joint venture with a non-profit Developer if the non-profit has at least 51% controlling interest in the joint venture. In all cases, the non-profit Developer will be required to certify the following:

- No member, shareholder, officer or employee of such corporation or its board of directors may profit directly, or indirectly, from the EEOST funding or from the Eligible Project;
- No member of the Board of Directors of the for-profit or non-profit corporation may receive any compensation generated from or related to the EEOST funding; and
- No earnings of the non-profit shall inure to the benefit of any individual, corporation or other entity.

In all organizations where more than one party has a beneficial interest, the names and addresses of all individuals or entities holding any beneficial interest must be disclosed, as well as the percentage of beneficial interest held by each interest holder and each interest holder's status as either a non-profit or for-profit corporation, individual, or other type of entity. In addition, the organizational documents of any Eligible Organization that is not a non-profit corporation must be provided, along with a narrative describing the manner in which a non-profit corporation has a controlling financial or managerial interest. An Eligible Organization must also demonstrate, to the satisfaction of EEC (i) the capability of managing all of its responsibilities in carrying out the Eligible Project and operating the Eligible Facility; and (ii) that none of its members, shareholders, officers, employees or members of its board of directors can profit, in any way, from EEOST Capital Fund assistance.

Applicants are encouraged to review *The Attorney General's Guide for Board Members of Charitable Organizations* for additional guidance regarding the responsibilities and obligations of members of the Board of non-profit and charitable organizations.

### **Developer Capacity**

CEDAC will review the capacity of a Developer to successfully undertake development, responsibility, and management of a proposed project. The track record of the Developer in completing projects of similar scale and complexity, record of service in the community, current financial statements, net worth, and compatibility of mission will be taken into

consideration in reviewing the qualifications of the Developer. CEDAC will also strongly consider a Developer's standing with the Commonwealth of Massachusetts.

#### **Income Eligibility Requirements**

The facility shall, at the time of application, provide services to at least 25 percent ("25%") of its capacity to low-income families who are eligible for public subsidy. Low income families, for the purpose of these Guidelines, shall be defined as families who meet one of the following criteria: (i) EEC subsidized child care income eligibility guidelines of 50% up to 85% of state median income, depending on activity requirements; (ii) Head Start income eligibility guidelines; or (iii) families receiving Transitional Aid to Families with Dependent Children (TAFDC), Supplemental Security Income Benefits (SSI), Social Security Disability Income (SSDI), or other public subsidy.

Public subsidy, for the purpose of these guidelines, shall be defined as economic assistance provided to low income families by any federal, state, or local government entity or any quasi-governmental entity. Public subsidies may take the form of direct monetary payments, vouchers, services, earned income tax credit or other benefits that assist in the provision of necessities, including but not limited to, food, housing, fuel assistance, health care, child care, or education.

Documentation of other public subsidies will be required as part of the application process.

#### **4. Award Requirements and Preferences:**

In awarding grants, EEC will require that all Eligible Projects reflect cost-effective design, material and finish decisions consistent with good architectural and engineering practice, high quality construction, and shall satisfy the requirements of EEC.

#### **Eligible Project Requirements:**

1. **Project Readiness:** Ready projects are those that demonstrate they will have the ability to raise all necessary funding, produce finalized plans and specifications, secure all necessary and public approvals, and be completed within 24 months of the grant award.
  - a. Ready Projects are feasible at the time of application or there is a credible plan in place to achieve feasibility within 4-6 months of the award date. Feasibility entails (a) financial feasibility, both from a capital and operating perspective, and (b) regulatory feasibility – meeting all EEC, building code, zoning, Architectural Access/ADA, and environmental requirements.
  - b. The Developer will demonstrate both sufficient financial stability and management capacity to plan and implement its proposed project.
  - c. Site Control: The Developer will either own its site or have secured site control for the useful life of the renovation or construction, as described under Grant Terms, Section III below. Site control must be secured prior to application.
2. **QRIS Progression:** A project that, when completed, will enable an Eligible Facility to improve all their physical environment criteria for Level 3 or Level 4 status as stated in the MA Quality Rating and Improvement System ("QRIS"). In the application,

developers should clearly state (a) the current EEC granted Physical Environment QRIS Level of the Eligible Facility, both self-assessed and validated if validation is available; and (b) how the proposed project will enable the Eligible Facility to meet the physical environment requirements for QRIS Level 3 or Level 4.

3. **QRIS Maintenance:** In the application developers should clearly state (a) if an Eligible Facility is currently been granted a Level 3 status and the Developer must describe how they will progress in Level 3 towards Level 4 for their physical environment standards; or (b) if an Eligible Facility has been granted a Level 4 status, the Developer must describe in the application how the Level 4 QRIS requirements related to physical environment will be maintained.

Program Schedule: Eligible licensed Large Group grantees must operate a full time year round program and School Age Child Care Programs must provide wrap-around care during the summer.

**Preference will be given to Eligible Projects that reflect:**

1. A balanced geographic plan that includes projects in different parts of the state.
2. Facilities where the number of families receiving public subsidy exceeds the minimum of 25% of the total child care slots.
3. Recovery from a natural or man-made disaster.
4. Location within a Gateway City.
5. A plan to expand capacity, subject to EEC licensing approval, to serve more low-income families who are eligible for public subsidy.
6. Green and Sustainable Projects that incorporate materials, construction practices, furnishings and equipment that create healthy and comfortable interior environments conserve energy and natural resources, produce less waste, preserve and restore natural outdoor environments, and minimize negative impact on the environment such as pollution or depletion of non-renewable resources.
7. Solicitation and/or participation of minority and women-owned construction companies or development team members as part of the project team.

### **III. Grant Terms**

EEOST funding is provided as grants. The Grant Agreement and related documents delineate various grant terms and conditions, including eligibility of the organization, the requirement to serve low income families, and will also include a recorded Land Use Restriction (LUR) that ensures the continuing use of the property for the intended public purpose, i.e., Large Group



and/or School Age Child Care. The terms and conditions of each grant award will include a mortgage securing the obligations in the terms and conditions of the Grant Agreement.

**1. Amount of Grant Award**

Generally, EEOST grants may finance up to \$1,000,000 per project. The minimum Total Development Cost (TDC) shall be no less than \$400,000 per project, and applicants shall identify sources in addition to EEOST grants to pay a portion of the project costs. EEOST grants will not fund the entire cost of a project. For all projects, the least amount of funding necessary to assure project feasibility will be recommended.

**2. Grant Timetable and Disbursement**

No grant funds will be disbursed until all other Project financing has been brought to full financial closure. Any pre-development costs incurred more than one year prior to the Grant application shall not be considered for reimbursement. No costs incurred in the acquisition of an Eligible Facility shall be considered for properties acquired more than two years prior to the date of the Grant Application.

**3. Grant Term**

- If a building, structure, or site is leased, then the leased facilities shall have a lease term that is consistent with the scale of the capital investment, but shall not be less than 15 years, and the grant term shall be a minimum of 15 years.
- If a building, structure or site is or will be a municipally owned building that dedicates a single purpose space for licensed early education or out of school time programs, then the lease must be for not less than 25 years and the grant term shall be a minimum of 25 years.

Grantees must comply with all terms and conditions of the EEOST grant for the full grant term unless a waiver is granted by the EEC Commissioner.

**4. Grant Recapture**

If for any reason the Grantee fails to comply with the terms and provisions of the Grant Agreement, CEDAC or EEC will recapture the grant funds according to the schedule below:

For properties owned by the Grantee (25 year grant term):

- If the noncompliance occurs within 9 years of the making of the EEOST Grant, repayment of 100% is due;
- If the noncompliance occurs between 9 years and 16 years after the making of the EEOST Grant, repayment of 67% is due;
- If the noncompliance occurs between 16 years and 25 years after the making of the EEOST Grant, repayment of 33% is due;
- If the noncompliance occurs more than 25 years after the making of the EEOST Grant, the grant funds will no longer be subject to recapture.

If the eligible project or facility is found to be in non-compliance with any EEC regulation or policy, the terms and provisions of the EEOST grant documents or with any other federal, state or local laws, regulations, ordinances of policies, the Grantee will have 90 days to

rectify those matters, in a manner acceptable to EEC, prior to the recapture of grant funds. Compliance will be determined at the sole discretion of EEC.

For properties leased by the Grantee (15 year grant term)<sup>1</sup>:

- If the noncompliance occurs within 5 years of the making of the EEOST Grant, repayment of 100% is due;
- If the noncompliance occurs between 5 years and 10 years after the making of the EEOST Grant, repayment of 67% is due;
- If the noncompliance occurs between 10 years and 15 years after the making of the EEOST Grant, repayment of 33% is due;
- If the noncompliance occurs more than 15 years after the making of the EEOST Grant, the grant funds will no longer be subject to recapture.

If the eligible project or facility is found to be in non-compliance with any EEC regulation or policy, the terms and provisions of all the EEOST grant documents or with any other federal, state or local laws, regulations, ordinances of policies, the Grantee will have 90 days to rectify those matters, in a manner acceptable to EEC, prior to the recapture of grant funds. Compliance will be determined at the sole discretion of EEC.

## **5. Land Use Restriction**

Eligible Projects are subject to a Land Use Restriction requiring continued use for the purpose of early education and/or out of school time care. This restriction can be released only under the following circumstances:

- Upon completion of the grant term.
- Upon recording of a foreclosure deed by the holder of a mortgage senior to the EEOST mortgage.
- In the event of a grant recapture.

## **6. Grant Position**

The EEOST grant award shall also be secured by a mortgage lien on the Eligible Facility, and not any other property owned by the Grantee, in favor of the Commonwealth and/or CEDAC on the fee simple title to the Eligible Facility, if owned by the Eligible Organization, or on the Eligible Organization's leasehold interest, if the Eligible Facility is leased. The mortgage shall be junior only to a bona fide first priority mortgage or such senior mortgage liens as are permitted by EEC or CEDAC. Applicants are strongly urged to do a complete title rundown prior to submitting an application. If an applicant is aware of an encumbrance on title that is not a bona fide first mortgage lien, such information must be disclosed as part of the pre-application.

Mortgages or land use restrictions securing EEOST grants are typically subordinate to a senior private or quasi-public sector loan, such as a first mortgage, sharing a second position with comparable (typically public) funding sources. However, a more junior mortgage or other funding position may be negotiated if it is absolutely necessary to provide security for

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<sup>1</sup> For those eligible projects located in municipally owned buildings, the 25 year grant recapture schedule shall apply.

other lenders. A waiver from EEC and/or CEDAC is required for mortgages or land use restrictions securing EEOST grants in lower than third position.

## **7. Refinancing EEOST Projects**

Grantees must obtain the written approval of CEDAC and EEC in order to refinance an EEOST supported project.

Examples of acceptable refinancing proposals may include:

- Reducing interest or other payments on primary debt, with the added revenue enabling the project to remain solvent, increasing contributions to replacement reserve, or reducing costs to a state agency that pays some or all of the operating costs.
- Reducing interest or other payments or to permit an increase in debt to make essential improvements such as life-safety systems or accessibility that at a minimum meets EEC licensing standards or other legal and regulatory requirements.

Since financial stability is critical to the long-term viability of EEOST supported projects, refinanced debt with a repayment term of at least 10 years duration, at a fixed rate of interest, is preferred. CEDAC and/or EEC strongly encourage projects to seek refinancing of duration longer than 10 years in order to fix an interest rate for a longer period.

Under no circumstances can an EEOST supported project be used as collateral for any other financing on other properties or for an organizational credit line without the express written approval from CEDAC and/or EEC.

Grantees considering refinancing should contact CEDAC, at the earliest opportunity, to discuss the proposal.

Developers are encouraged to pursue federal funding to help finance project costs. Developers working on federally funded project must assess how the EEOST requirements affect federal requirements. If there are conflicts between EEOST and federal requirements, developers shall contact both the federal funder and CEDAC immediately to ascertain next steps.

## **8. Amending the Grant Agreement**

**No-Cost Amendment:** Grant recipients must obtain written approval from CEDAC in order to receive a no-cost amendment before any non-material changes can be made to an approved project. CEDAC will approve an amendment only if it is clearly in the best interest of the Commonwealth, and the request complies with all EEOST regulations. Any material change will require EEC written approval.

**Additional Cost Amendment:** If a grant recipient requests an amendment, resulting from an increase to the total development cost of the project, the grant recipient must submit a revised project budget for CEDAC's review. Subject to appropriation and available funding, CEDAC will review the request and shall make a recommendation to EEC within 30 days of

receipt of the request for additional funds. EEC shall approve or deny the request for additional funds within 30 days of receiving a recommendation from CEDAC.

## **IV. Underwriting Standards**

Although EEC has the final authority to make EEOST awards, CEDAC carries out an underwriting review of all grant applications. CEDAC considers the following factors in underwriting EEOST Grants.

### **1. Project Feasibility**

CEDAC's evaluation of Eligible Projects will take into consideration the following factors: the terms of other financing commitments, the security and length of the income stream, and the projected project costs. To insure the long term financial stability of the project, any permanent debt should have long term fixed rates. Terms of at least 15 years are preferable, but terms for 10 years may be acceptable in certain cases. If other public agencies are providing income or funding for critical services, CEDAC investigates the likelihood of ongoing funding, and may require alternate plans in the event that the funding stream is no longer available. Cost estimates are thoroughly reviewed. Professional cost estimates by an estimator with substantial experience in the estimating cost for type of project proposed, or well-developed bids by a licensed contractor with sufficient experience and scale to complete the proposed project is required.

### **2. Site Considerations**

The site of a proposed project must meet the following criteria:

1. Appropriate for the program and its needs.
2. Environmentally sound without extraordinary cost for remediation.
3. Acquisition costs should be reasonable and based on current market conditions. A recent appraisal will be required. In most cases, appraisals produced for other financiers will be accepted.
4. Site acquisition or lease arrangement between landlord and tenant, as applicable, must be an arms-length transaction except by express approval by CEDAC and/or EEC.

### **3. Development Team Capacity**

The development team (architect, development consultant, project attorney, project manager, etc.) must have a demonstrated ability to develop the project in all respects, conduct community review and approval processes, resolve permitting and zoning requirements, complete planning, design and engineering activities, oversee bidding and construction management, coordinate grant closing and other legal transactions, and manage the property upon completion and provide relevant services. It is highly recommended that applicants assemble an experienced and capable team, including a development consultant to coordinate development activities, respond to EEC's and CEDAC's requests for additional information and documentation, and generally ensure that project development stays on the "critical path".

The following criteria will be considered in evaluating the development team:

1. The track record of the members of the development team in completing similar scale community development or educational facilities.
2. Maintenance of professional licenses and liability insurance.
3. The Developer's record of service to the community in which the Eligible Facility is located or to the constituency that the facility serves. References may be sought.
4. The compatibility of the project with the Developer's mission.
5. The financial soundness of the Developer. Audited financial statements and accompanying auditor issued management letters for at least the three most previous years must be submitted. Current year-to-date financial statements, including a balance sheet and income statement must also be submitted.
6. The demonstrated competence and experience of the project consultants. Consultants should have directly applicable experience.
7. The Developer and any Partner must be in good standing with EEC. Poor performance or issues of non-compliance must be resolved to EEC's satisfaction before an application for EECST funding will be considered.
8. Members of the development team must not be family members or business partners of any senior official of the Eligible Organization. Members of the development team may not share any business interests with the Eligible Organization.

**4. Owner's Project Manager:**

All grantees must procure the services of a Project Manager to oversee the development, renovation or construction of the project. In the event that the grantee elects to change the Owner's Project Manager during the course of the grant award, the grantee shall notify CEDAC in writing, 30 calendar days prior to the effective date of any such change.

**5. Development Costs**

The Total Development Costs must include all hard and soft costs, including reasonable Developer fees.

Excessive development costs are not justified by an acquisition price greater than the appraised value of a property or by selecting a site that requires extensive reconfiguration to meet program needs. Developers are encouraged to select sites which will serve the needs of the large group and school age child care programs.

**1. Developer Fees**

The Developer fee is restricted to no more than 5% of the total development cost.

**2. Development Services Procurement**

In procuring and contracting for all development services including, but not limited to architectural, engineering, legal, development consulting, and construction, applicants must demonstrate sound business practices and fiduciary responsibility which gain the benefits of the competitive market and achieve a fair value. EEC and CEDAC require any applicant to conduct a formal bid process, including at least three competitive bids obtained in a free, fair and open process for any development related service. In addition:

- Construction service bids are based on plans and specifications of sufficient detail so that an accurate fixed price can be obtained.

- Transactions are "at arm's length".
- Contracted prices are within standard market parameters. EEC and CEDAC reserve the right to require re-bidding of high cost projects, with costs in excess of 10% of comparable market situations.
- Proposed contractor must have an acceptable record of performing similar projects in the past and must maintain all required licenses, permits and certifications.
- The Developer is responsible for all legal costs associated with the project.
- The bid process shall include effective outreach to minority-owned and women-owned businesses.

### 3. Rehabilitation/Construction Standards

Eligible Projects must be designed to meet the needs of the children served by the Eligible Facility and the physical facility requirements set forth in 606 CMR 7.00 *et seq* and the QRIS Physical Environment criteria. Projects should be safe, attractive, durable and maintainable. The goal should be to design a project that can be readily maintained for its full use throughout the 25-year minimum term for owned facilities and 15-year minimum term for leased facilities of the grant. For most projects, operating budgets are constricted, and reserves do not prove sufficient over time to afford extensive capital replacement. For rehabilitation projects, a full scope of renovation, based on an assessment of capital needs over a 25-year period, is highly recommended. Most projects require substantial rehabilitation to ensure their full use over this extended period without further substantial capital replacement. Applicants must:

- Engage highly qualified development team members: architects, engineers and contractors with successful experience in child care center design for the appropriate age group(s). Applicants must make a good faith documented outreach effort to recruit qualified firms.
- Emphasize to the development team the critical importance of adhering to all safety, accessibility, environmental, historical, building code and other regulatory requirements.
- Emphasize to the development team the importance of a high quality, durable project. Do not assume that EEOST funding or other funding sources will be available in the future.

Applicants should expect that their development team members' qualifications will be carefully reviewed. EEC and CEDAC reserve the right to require applicants to hire licensed, capable and experienced professionals. Further, the development team should expect an extensive and critical review of plans, specifications, and cost estimates by highly qualified and experienced reviewers hired by EEC or CEDAC. As a result of design review, the development team may be asked by EEC or CEDAC to consider alternative designs, materials, and systems. EEC and CEDAC expect the team to be highly responsive to design review recommendations and to make a conscientious effort to improve designs as requested.

4. Operating Costs

An operating budget that projects operating activities for each year of the proposed grant term is required. The minimum required term for grants supporting owned sites is 25 years and 15 years for leased sites. If a lease term is greater than 15 years, a budget for the full lease term should be included. Applicants should be prepared to verify their operating assumptions and annual expense escalation assumptions, based on historical data or other analysis as appropriate. At a minimum, CEDAC requires projected operating costs to be based on verified prices for various goods and services.

5. Relocation

If a proposed rehabilitation project is occupied, the Developer shall develop and submit a relocation plan, if needed. The alternative site used during relocation must comply with EEC's regulations.

## **V. Pre-Application and Application**

Applications are only accepted as part of designated EEC funding rounds.

EEC requires a Pre-Application in order to be considered for an EEOST grant. The purpose of the Pre-Application is to determine if applicants meet a certain minimum threshold prior to submitting a full application. Only those entities that have been reviewed and deemed eligible to apply by EEC and CEDAC will receive an Invitation to Apply.

The EEOST grant application process involves ten key steps:

- (1) Pre-Application submission;
- (2) Application Submission for those receiving an Invitation to Apply and Preliminary Review of licensing, QRIS and financial history;
- (3) Documentation of all application requirements;
- (4) CEDAC Review, Site Visit and Recommendation and Approval or Modification of Recommendations by EEC;
- (5) Conditional Commitment with specific conditions to be met;
- (6) Authorization to Proceed;
- (7) Grant Closing;
- (8) Disbursement of funds;
- (9) Monitoring; and
- (10) Submission of External Audits
  - Annual Financial External Audit completed by a Certified Public Accountant including a Management letter;
  - OMB Super Circular, formerly OMB A-133: All non-Federal entities that expend \$500,000 or more of Federal awards in a year (\$300,000 for fiscal year ending on or before December 30, 2003) are required to obtain an annual audit in accordance with the [Single Audit Act Amendments of 1996 Uniform Administrative Requirements, Cost Principles](#), and Audit Requirements for

Federal Awards (the so-called "Super Circular" or "Omni Circular"); the [OMB Circular Compliance Supplement and Government Auditing Standards](#); and

- Evidence of compliance with the Grantee's Internal Controls.

### **Pre-Application Submission**

EEC shall post on its website when funds are available for eligible projects and will provide a timeline for the pre-application and application process. Applicants will be required to submit a pre-application. Qualified applicants will be invited to submit a full application.

### **Application and Submission to EEC for Preliminary Review**

EEC shall receive all grant applications and will conduct a review of the applicant's licensing history and financial compliance.. Copies of all eligible applications will then be transmitted to CEDAC for review and underwriting. Developers must use the pre-application and application forms available on the [EEC Website](http://www.mass.gov/edu/birth-grade-12/early-education-and-care/laws-regulations-and-policies/eeost-capital-fund-program) at <http://www.mass.gov/edu/birth-grade-12/early-education-and-care/laws-regulations-and-policies/eeost-capital-fund-program>. An interested party shall submit three copies of the pre-application and application forms and all attachments in hard copy to:

Department of Early Education and Care  
51 Sleeper Street, 4<sup>th</sup> floor  
Boston, MA 02210

### **CEDAC Document Review and Recommendation**

CEDAC shall review each eligible grant application and supporting documents, providing an analysis, project summary and recommendation to EEC. In its review, CEDAC shall include a detailed summary of the proposed project, how the project qualifies as an Eligible Facility and Eligible Project, and the total project cost.

### **Conditional Commitment for Award**

Upon receiving CEDAC's recommendation, EEC may make a conditional commitment to a Developer. In the conditional commitment notification letter, EEC will delineate all terms and conditions that a Developer must meet in order to receive an Authorization to Proceed. In no way shall EEC be required to support a conditional commitment and/or any additional cost above the grant award.

When a Conditional Commitment has been received, the Developer will take all steps necessary to meet the conditions outlined in the commitment letter within six months of the date of the conditional commitment. In order to obtain an Authorization to Proceed, the Developer must submit to CEDAC documentation that all of the terms and conditions of the conditional commitment have been satisfied in full, including updated development and operating proformas, final plans and specifications, a final construction budget with bid prices from a general contractor, and a development schedule showing that the construction or permanent financing will close within 120 days. CEDAC will review these items and make a recommendation to EEC whether to issue an Authorization to Proceed.



### **Authorization to Proceed**

Upon receiving CEDAC's recommendation to proceed, EEC shall provide an award notification to the Developer formally authorizing the project to proceed.

### **Grant Closing and Disbursement**

Grant closing should follow an award notification within 180 days. Prior to closing, CEDAC appoints legal counsel to represent its and the Commonwealth's interests. Legal counsel is responsible for preparing the Grant Agreement and accompanying documents and completing the grant award. Since most EEOST Capital Fund projects involve multiple funding sources, EEOST Capital Fund counsel coordinates closing requirements, including due diligence, with lenders, at the expense of the Grantee. The terms and conditions of the grant disbursement are included in the Grant Agreement and accompanying documents. Funds are disbursed by CEDAC in accordance with these provisions.

CEDAC and EEC strongly encourage grantees to use experienced Real Estate Attorneys.

### **Monitoring**

Monitoring focuses on ensuring that the terms and conditions of the Grant Agreement are continuously met, including but not limited to the requirement that 25% of the total child care slots are for families who are eligible to receive public subsidy, the attainment of certain quality standards, property maintenance, insurance, record keeping and other management and administrative functions.

EEC licensing visits and fiscal audit reviews will continue to be conducted during the project. If the grantee is found non-compliant, additional requirements to the terms of the grant may be imposed apart from any licensing and fiscal requirements.

For further information on EEC monitoring, contact:

1. CEDAC/CIF, Theresa Jordan 617-727-5944 or [tjordan@cedac.org](mailto:tjordan@cedac.org)
2. EEC Licensing, Carmel C. Sullivan, 617-988-6631 or [carmel.sullivan@massmail.state.ma.us](mailto:carmel.sullivan@massmail.state.ma.us)
3. EEC Fiscal Monitoring, Alicia Wells: 617-988-6639 or [alicia.wells@massmail.state.ma.us](mailto:alicia.wells@massmail.state.ma.us)
4. EEC QRIS, Gwen Alexander: 617-988-7812 or [gwen.alexander@massmail.state.ma.us](mailto:gwen.alexander@massmail.state.ma.us)

### **Submission of External Audits**

Annually, CEDAC shall obtain and review annual reports of each funded project as outlined in the Grant Agreement. CEDAC shall review these reports, and in the event that CEDAC determines that the terms and conditions of the grant may not have been met, CEDAC shall promptly notify EEC and will work to resolve such non-compliance by the Developer.

### **Project Completion**

Once the construction is complete, the Program occupying the Eligible Facility must be relicensed before providing services.

Once EEC issues a license, verification of the QRIS physical environment criteria must be verified by EEC and be at level 3 or higher. The EEC Commissioner may grant a waiver to this requirement.